Fibromat (M) Berhad (FIBROMAT)

Laying the Foundation, Scaling New Heights

- **Established in 1999, the company provides geotechnical engineering solutions, specialising in erosion control, ground improvement, and sediment containment. It operates on a project basis, offering end-to-end services from design to installation, while subcontracting certain works to enhance operational efficiency.**
- **We forecast a 3-year core earnings CAGR of 7.7% to RM12.5m by FY27, as FIBROMAT is well-positioned to capitalise on upcoming infrastructure phases—including the Sabah Pan Borneo Highway, Sarawak–Sabah Link Road 2, and rural road upgrades—while benefiting from rising civil engineering works**
- **We ascribe a fair value of RM0.70 for FIBROMAT, based on a 15.0x forward P/E to mid-FY26f EPS of 4.64 sen, implying 27.3% upside to its IPO price. Despite a 71.3–108.7% discount to peer averages, we believe this is justified as Bloomberg's Construction and Engineering sector P/E (15.9-20.2x) is a more appropriate benchmark.**

Investment Highlights

Rising civil engineering works. According to IMR, the annual value of the civil engineering sub-sector completed in 2024 continued to rise, reaching RM61.1bn—marking a CAGR of 11.7% from the pandemic trough in 2021, which had been dampened by COVID-19-related disruptions, fiscal reallocations, and the deferment of mega projects including the KL–Singapore High-Speed Rail and MRT3. Sabah, Sarawak, and Johor accounted for 71.4% (RM43.6bn) of the total public sector work done.

Future phases of existing and new projects likely in the bag. Meanwhile, we anticipate a number of infrastructure projects to gradually come to fruition. Notable developments include: (i) Sabah Pan Borneo Highway Phase 1B (RM15.7bn), (ii) Sarawak–Sabah Link Road Phase 2 (RM7.4bn), (iii) state road maintenance and upgrades (RM5.4bn), (iv) rural road construction (RM1.63bn), (v) NSE expansion (RM931mn), vi) Penang–Seberang Perai LRT (RM10.0bn), (vii) Tawau and Miri airport expansions (RM253mn), (ix) Bailey bridges and road repairs (RM5.5bn).

Urbanisation and infrastructure push to drive demand for geotechnical solutions. We believe Malaysia's geotechnical solutions industry is expected to benefit from sustained government spending and urbanisation, with c.RM15bn allocated under Budget 2024–25. Of this, RM11.8bn is earmarked for 33 flood mitigation projects, while the remainder supports slope maintenance, landslide repair, and river conservation. Also, urban population growth from 76.6% in 2019 to 79.2% in 2024 is driving demand for residential, commercial, and industrial developments. These projects will require robust geotechnical support systems to ensure land stability and infrastructure resilience.

Diverse products to support projects' flexibility. In our view, a key strength of FIBROMAT lies in its diverse product range, enabling the company to meet various geotechnical project requirements. As of the LPD, FIBROMAT provides geotechnical solutions such as slope stabilisation, river embankment protection, retaining walls, water containment, ground improvement, and sediment control—leveraging products like PVC sheet piles, geogrids, PVDs, and more. This versatility would allow the Company to tender broadly and mitigates customer concentration risk.

IPO Note – Not rated

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Non-Rated

Share price	**RM0.55**
Target price	**RM0.70**
Previous TP	-
Capital upside	27.3%
Dividend return	-
Total return	27.3%

Company profile

The company offers geotechnical engineering solutions in Malaysia, specialising in erosion control, ground improvement, and sediment containment. It also manufactures and trades geosynthetics and natural fibre-based materials for various sectors.

Stock information

Bursa Code	0355
Bloomberg ticker	FFBHD MK
Listing market	ACE
Share issued (m)	248.3
Market Cap (m)	136.6
Shariah compliant	YES
MITI	YES

Major shareholders	**%**
Ng Kian Boon	63.7

Earnings snapshot

FYE (Dec)	FY24	FY25f	FY26f
PATMI (m)	10.0	11.2	11.9
EPS (sen)	4.02	4.49	4.79
P/E (x)	13.7	12.2	11.5

Timetable of IPO

Opening of application	11 April
Closing of application	25 April
Balloting of application	30 April
Allotment of the IPO shares	6 May
Listing on the ACE market	8 May

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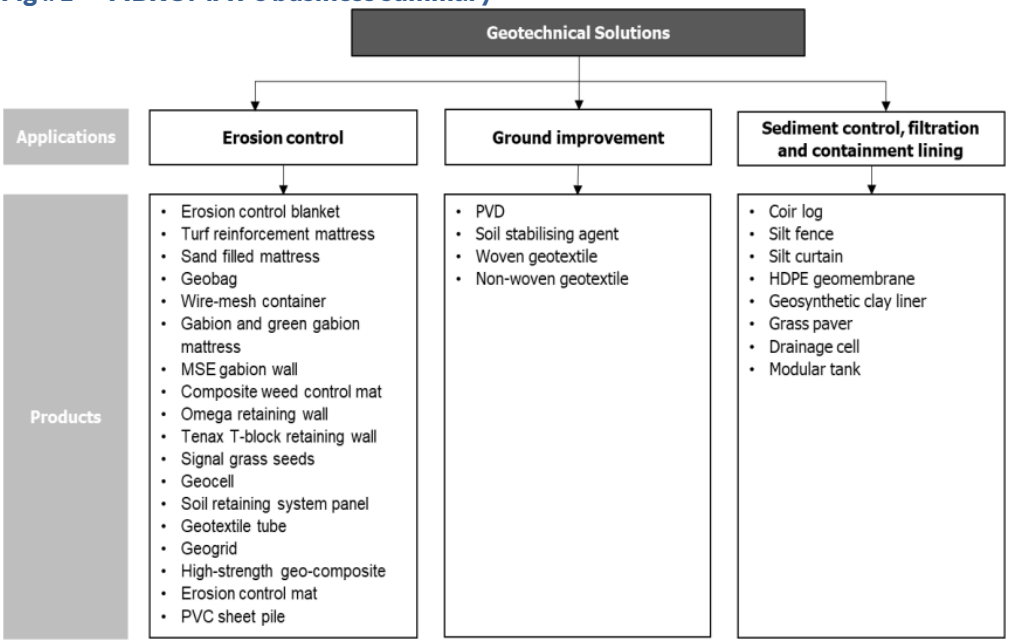
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Company Background

The Company is principally involved in providing geotechnical engineering solutions across Malaysia, with a focus on erosion control, ground improvement, and sediment containment. It operates on a project basis, offering end-to-end services from design to installation, and strategically outsources part of its installation works to subcontractor; optimizing its efficiency.

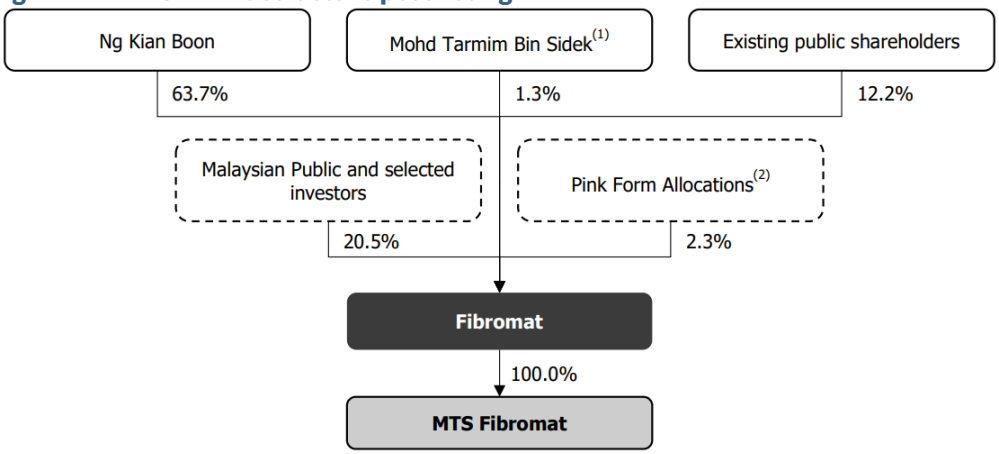
Additionally, the Group is involved in (i) manufacturing and trading of geosynthetics and erosion control products, sourced both in-house and through OEM and third-party suppliers, and (ii) producing natural fibre-based materials such as coir logs and erosion blankets. While in-house products are prioritized for internal use, they are also sold to external clients across infrastructure, land development, and environmental engineering sectors.

Fig #1 FIBROMAT's business summary



Source: Fibromat (M) Berhad

Fig #2 FIBROMAT's structure post listing



Source: Fibromat (M) Berhad

Fig #3 Corporate Milestones

Year	Milestones
2019 - 2020	Provided design and installation solutions of woven geotextiles and nonwoven geotextiles for the construction and completion of civil works for Section 7 - Assam Jawa Interchange to Tanjung Karang Interchange (Part 1 of 2) in Selangor. Provided design and installation solutions of PVDs and non-woven geotextiles for the proposed construction and completion of earthworks and other related works for the development of Phase 2 (R2) at Bandar Bukit Raja 2, Klang, Selangor.
2021 - 2022	Provided design and installation solutions of PVDs for the construction of Sarawak Second Trunk Road Package B1 – construction of a highway from Sebuyau, Sarawak to Lingga Samarahan and Sri Aman, Sarawak. Provided design and installation solutions of PVDs and non-woven geotextiles for the earthworks at Aerofront City Housing Development, Selangor.
2023 - 2024	Provided design and installation solutions for soil nailing works, as well as supply of non-woven geotextiles, gabion mattresses, geogrids, guniting and horizontal drains, for the construction of Central Spine Road, Kelantan. Provided design and installation solutions for erosion control blankets and hydroseeding for various project packages of the Pan-Borneo Sabah Highway project.

Source: Fibromat (M) Berhad

Future Plans and Business Strategies

Expand geotechnical capabilities in infrastructure and slope stabilisation projects. The Company aims to deepen its participation in large-scale infrastructure projects, particularly those involving highways, riverbank protection, and slope stabilisation. This includes expanding its design-and-build capabilities in erosion control and ground improvement works, leveraging its in-house manufacturing of geosynthetic products and on-site engineering expertise.

Increase production efficiency and manufacturing output. To support its growing orderbook, the Company intends to enhance its production capacity through upgrades to its Rasa Factory. Key initiatives include investment in automated manufacturing equipment, improved material handling systems, and workflow optimisation to reduce lead times and support higher project volumes.

Strengthen working capital for project execution. The Company plans to allocate working capital to support contract mobilisation, subcontractor payments, and procurement of raw materials. This is critical to ensure timely delivery of ongoing and upcoming projects, including those secured under the Pan-Borneo Sabah Highway and Central Spine Road packages.

Enhance ESG practices and pursue ISO certification. The Company is committed to aligning its operations with international environmental standards. Plans include the implementation of an environmental management system and pursuing ISO 14001 certification to enhance its credentials for green infrastructure projects and strengthen compliance with regulatory frameworks.

Fig #4 Use of proceeds

Use of proceeds	RM'm	%	Estimated time frame
Purchase of machinery	7.6	42.6%	Within 12 months
Working capital	6.7	37.8%	Within 12 months
Estimated listing expenses	3.5	19.6%	Within 1 month
Total	17.8	100.0%	

Source: Fibromat (M) Berhad

Financials

Revenue highlights. FIBROMAT reported revenue of RM75.5m in FY24, up 10.5% YoY from RM68.3m in FY23, driven by stronger contributions from the design and installation of geotechnical solutions segment, which accounted for 48.7% of FY24 revenue. The manufacturing and sale of in-house products rose sharply to 17.4% of FY24 revenue, supported by higher silt curtain sales, particularly to Singapore. Trading of geosynthetics and erosion control products remained stable at 33.9% of group revenue. Core earnings rose 17.5% to RM10.0m from RM8.5m in FY23, while PBT margin improved to 17.8%.

Earnings forecasts. Moving forward, we forecast a 3-year core earnings CAGR of 7.7% to RM12.5m by FY27, as we see FIBROMAT is strategically positioned to capitalise on upcoming infrastructure phases—including the Sabah Pan Borneo Highway Phase 1B, Sarawak–Sabah Link Road 2, and rural road upgrades—while also benefitting from the uptrend in civil engineering works, particularly in Sabah, Sarawak and Johor. Furthermore, we foresee the introduction of a biodegradable erosion control blanket—backed by RM4.4m CapEx from IPO proceeds—to support the expansion of its product portfolio and contribute to its earnings growth.

Fig #5 Financial Highlights

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Revenue	68.3	75.5	83.0	89.2	93.7
EBITDA	14.0	16.3	17.6	18.9	19.8
EBIT	12.3	14.5	15.6	16.7	17.5
PBT	11.2	13.4	14.7	15.7	16.4
PAT	8.5	10.0	11.2	11.9	12.5
PATMI – Core	8.5	10.0	11.2	11.9	12.5
PATMI – Reported	8.5	10.0	11.2	11.9	12.5
% change YoY – Core PATMI	-9%	-9%	-9%	-9%	-9%
Core EPS (sen)	3.42	4.02	4.49	4.79	5.02
P/E (x)	16.1	13.7	12.2	11.5	11.0
EV/EBITDA (x)	8.5	7.3	6.8	6.3	6.0
DPS (sen)	0.9	0.9	-	-	-
Yield (%)	2%	2%	0%	0%	0%
BVPS (RM/share)	0.2	0.2	0.3	0.4	0.4
P/B (x)	2.9	2.5	1.7	1.5	1.3
ROE (%)	19%	20%	16%	14%	13%
Net Gearing (%)	0.1	0.1	CASH	CASH	CASH

M+ Research

Valuations

We ascribe a fair value of RM0.70 for FIBROMAT. Our valuation is derived by pegging a forward P/E of 15.0x to the mid-FY26f EPS of 4.64 sen, implying a 27.3% upside to its IPO price of RM0.55. While our assigned P/E of 15.0x is at a 71.3–108.7% discount to the average trailing and forward P/Es of its closest peers, we believe this is justified as the Bloomberg's Construction and Engineering sector historical and forward P/E of 15.9-20.2x offers a more appropriate benchmark.

Fig #6 Peer comparison

Company	Market Group	FYE	Price (RM)	Market Cap (RM'm)	P/E (x)	Forward P/E (x)	NP Margin (%)
Fibromat (M) Bhd	**ACE**	**Dec**	**0.550**	**136.6**	**13.7**	**11.5**	**13.2**
Econpile Holdings Bhd	MAIN	Dec	0.310	439.4	NM	51.7	(6.0)
TCS Group Holdings Bhd	ACE	Dec	0.135	81.1	50.0	NM	0.4
Vestland Bhd	ACE	Dec	0.490	487.2	12.0	NM	6.1
Pintaras Jaya BHD	MAIN	Dec	1.420	235.5	15.1	10.9	(1.6)
Avg ex-Fibromat (M) Bhd				**310.8**	**25.7**	**31.3**	**(0.3)**

Source: M+ Research

Investment risks

Regulatory compliance risk. The group requires multiple licenses and approvals to operate. Any failure to obtain, maintain, or renew these may disrupt operations and impact financial performance.

Key management dependency. The group's success is dependent on the leadership and experience of its executive team. Loss of key personnel without timely replacement may affect continuity and strategic execution.

Absence of long-term contracts. Revenue is derived primarily from short-term, project-based engagements. The lack of long-term customer and supplier agreements may lead to earnings volatility and operational uncertainty.

Project execution risk. The group is exposed to cost overruns, delays, and subcontractor underperformance, which could impair profitability, delivery timelines, and client satisfaction.

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Stock recommendation guide	
BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
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NOT RATED	No recommendation is assigned